

Date: April 02, 2025

To

**Listing Department,
BSE Limited**

Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400001

Dear Sir/Madam,

Sub: Disclosure under Regulations 51(2) read with Part B of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

With reference to captioned subject, we wish to inform you that, CARE Ratings Limited (**'Rating Agency'**), has reaffirmed the credit rating of [CARE] A- for the Long Term Bank facilities, Long Term Instruments (Non-Convertible Debenture (NCD)/ Subordinated debts) and has revised the Outlook from **'Watch with Developing Implications'** to **'Stable'** for all the above mentioned instruments.

Further, description of the aforementioned changes is disclosed in the rationale enclosed herewith.

This intimation is also being uploaded on the Company's website at www.arohan.in.

This is for your kind information and records.

Thanking you,

Yours faithfully,

For Arohan Financial Services Limited



Anirudh Singh G. Thakur
Company Secretary & Chief Compliance Officer
Membership No: A13210
Enclosed: As stated above

Arohan Financial Services Limited

March 31, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|---------------------------------|------------------|---------------------|--|
| Long Term Bank Facilities | 199.68 | CARE A-; Stable | Reaffirmed and removed from Rating Watch with Developing Implications; Stable outlook assigned |
| Long Term Long Term Instruments | 65.00 | CARE A-; Stable | Reaffirmed and removed from Rating Watch with Developing Implications; Stable outlook assigned |
| Long Term Long Term Instruments | 25.00 | CARE A-; Stable | Reaffirmed and removed from Rating Watch with Developing Implications; Stable outlook assigned |
| Long Term Long Term Instruments | 35.00 | CARE A-; Stable | Reaffirmed and removed from Rating Watch with Developing Implications; Stable outlook assigned |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has re-affirmed the ratings of Arohan Financial Services Limited (AFSL) at CARE A- with a Stable outlook. The rating has been removed from watch with developing implications following the revocation of C&D order by the Reserve Bank of India (RBI) and a review of the impact of the order on its 9M FY2025 /December 2024 performance. While CARE Ratings notes a decline in assets under management (AUM) to ₹5,769 crore as on December 31, 2024, due to the C&D order, along with moderation in financial performance for 9M FY2025 due to increased credit costs, the impact has been limited and the entity reported a net profit of ₹152 crore, translating into return on average total assets (RoTA) of 2.7% and return on average tangible net worth of (RoNW) of 10.6% during 9M FY2025, as against ₹314 crore, 4.5% and 20.4%, respectively, in FY2024.

The rating continues to reflect the company's comfortable capitalisation profile with a capital adequacy ratio (CAR) of 36.63% and gearing of 2.5 times as on December 31, 2024, and an adequate liquidity position. Despite the decline in AUM, AFSL maintains a sizeable scale of operations with AUM of ₹5,769 crore as on December 31, 2024 (₹7,112 crore as on March 31, 2024). AFSL also has a well-diversified resource profile, comprising a mix of long-term loans, bank borrowings and debentures.

The rating is, however, constrained by entity's geographically concentrated operations, with the top three states constituting ~63% of the total AUM as on December 31, 2024. CARE Ratings notes an increase in its gross non-performing assets (NPA) due to stress in the microfinance sector. The rating also remains constrained due to the inherent risks involved in the microfinance industry, including unsecured lending, marginal profile of borrowers, socio-political intervention risk, and regulatory uncertainty.

CARE Ratings notes the MFI industry is currently experiencing significant stress, primarily due to increasing borrower indebtedness, as larger ticket sizes and multiple loans taken by low-income individuals have led to overleverage and difficulties in repayment. Compounding this issue is the weakening joint liability group (JLG) model, traditionally a cornerstone of MFI operations. Declining centre attendance, high attrition rates among field staff, rise of systematic frauds, and natural calamities have significantly affected collection efficiency of microfinance institutions.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving profitability profile with return on total asset (RoTA) of over 3.0% on a sustained basis.
- Sizable scale-up of operations while maintaining asset quality.

Negative factors

- Significant deterioration in asset quality profile, impacting profitability.
- Overall leverage/gearing increasing above 6x on a sustained basis.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Analytical approach:

Standalone

Outlook: Stable

The Stable outlook reflects CARE Ratings' expectation that the company will continue to manage stress, while maintaining control over credit costs and asset quality metrics while maintaining adequate growth.

Detailed description of key rating drivers:**Key strengths****Healthy capitalisation**

Promoted by the Aavishkaar group, AFSL's capitalisation profile remained healthy with CAR of 36.63% and gearing of 2.5 times as on December 31, 2024, as against 29.01% and 3.2 times as on March 31, 2024. The improvement in its CAR and gearing was on account of decline in its scale and internal capital accretion during 9M FY2025. In terms of solvency, its net NPA to TNW increased to 1.4% as on December 31, 2024, as against Nil as on March 31, 2024. CARE Ratings expects AFSL's healthy capitalisation profile to continue in near to medium term.

Diversified funding profile

AFSL has a well-diversified resource profile with a mix of long-term loans, bank borrowings, and debentures. As on January 31, 2025, it had funding relationships with 50 lenders. The funding profile comprises term loans with a major share of 84% as on January 31, 2025, followed by subordinated debt (8%), pass-through certificates (PTCs) and assignments (4%), and non-convertible debentures (NCDs; 4%). AFSL's ability to continuously raise funds at competitive rates shall remain a key monitorable.

Key weaknesses**Weakened asset quality and profitability**

During 9M FY2025, on account of rising stress across microfinance segment, AFSL's asset quality metrics weakened as it reported a GNPA ratio at 2.86% (provisional) as on December 31, 2024, from 1.67% as on March 31, 2024. The company had also written-off 3.7% of its gross advances as on March 31, 2024, during 9M FY2025. AFSL's ability to maintain its asset quality metrics, amidst reeling stress across MFI segment remains a key monitorable. CARE Ratings expects the stress to continue for a few more quarters. CARE Ratings observes, going forward, monitoring the performance of their portfolio will be crucial, particularly given that they serve a customer base with a weaker credit profile that is more susceptible to economic and socio-political challenges.

With rising lending rates, the company was able to improve its profitability in FY2024 with a RoTA of 4.50% as against 1.29% in FY2023. However, during 9M FY2025 owing to rising credit cost and decline in scale, its profitability was impacted and its RoTA declined to 2.68% (annualised). CARE ratings expect profitability of AFSL to remain moderated for a few more quarters and its credit costs to rise further due to increasing delinquencies.

Geographical concentration

The concentration of the top three states in the outstanding of microfinance institution (MFI) loans (West Bengal, Bihar, and Uttar Pradesh) remains high, although stable at 63% as on December 31, 2024, compared to 69% as on September 30, 2024. The concentration towards West Bengal (the highest exposure state) for MFI loans also remained high at 26%. AFSL has a presence in 17 states across different products, microfinance loans, and corporate advances.

Business susceptibility due to event-based risks

The company's business operations are highly susceptible to event-based risks such as socio-political disruptions, regulatory risks, and natural calamities. Due to the unsecured portfolio, there is no recourse available to the company in case of default by the borrower. Although CARE Ratings believes AFSL will withstand such economic shocks with its strong capitalisation profile continuous capital support from investors as and when required, material deterioration in the company's asset quality and profitability metrics or other economic shocks can put negative pressure on its ratings.

Liquidity: Adequate

AFSL had adequate liquidity in the form of cash and bank balance of ~₹1,237 crore as on December 31, 2024, and ~₹799 crore as on February 28, 2025. As per its asset liability management (ALM) statement for December 2024, there were positive cumulative mismatches across all time buckets. With scheduled collections of ₹2,380 crore over next six months (i.e. till June 30, 2025), its liquidity was adequate to cater to its debt obligations of ₹1,942 crore for the same period. Further, the entity had unavailed sanction lines to the tune of ~₹320 crore as on February 28, 2025.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|-------------------------|--------------------|----------|---------------------------|
| Financial Services | Financial Services | Finance | Microfinance Institutions |

AFSL commenced MFI operations in 2006 and is a Kolkata-based NBFC-MFI registered with the RBI (registration in January 2014). It is mainly engaged in microfinance activity with AUM of ₹5,769 crore as on December 31, 2024, across 17 states for MFI activity. The top three states for MFI lending are West Bengal, Uttar Pradesh, and Bihar.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | 9MFY25 (UA) |
|----------------------------|--------------------|--------------------|-------------|
| Total operating income | 1,091.00 | 1,634.63 | 1,337.52 |
| PAT | 70.72 | 313.82 | 152.19 |
| Interest coverage (times) | 1.19 | 1.70 | 1.40 |
| Total Assets | 5,897.26 | 8,054.86 | 7,090.74 |
| Net NPA (%) | 0.21 | 0.00 | 0.52 |
| ROTA (%) | 1.29 | 4.50 | 2.68 |

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|--------------|-------------------------------|-----------------|----------------------------|-----------------------------|------------------------------------|
| Debt-Non-convertible Debenture/Subordinate Debt | INE808K08046 | 28-Mar-2018 | 13.50 | 28-Apr-2025 | 65.00 | CARE A-; Stable |
| Debt-Non-convertible Debenture/Subordinate Debt | INE808K08061 | 24-Oct-2019 | 12.85 | 25-Oct-2026 | 25.00 | CARE A-; Stable |
| Debt-Non-convertible Debenture/Subordinate Debt | INE808K08053 | 14-Aug-2018 | 13.50 | 30-Sep-2025 | 35.00 | CARE A-; Stable |
| Fund-based - LT-Cash Credit | - | - | - | - | 45.00 | CARE A-; Stable |
| Fund-based - LT-Term Loan | - | - | - | 01-04-2025 | 154.68 | CARE A-; Stable |

Annexure-2: Rating history for last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|-----------------|--|---|---|--|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Fund-based - LT-Term Loan | LT | 154.68 | CARE A-; Stable | 1)CARE A-(RWD) (04-Feb-25) 2)CARE A-(RWD) (30-Dec-24) 3)CARE A (RWN) (23-Oct-24) | 1)CARE A; Stable (02-Feb-24) 2)CARE A-; Positive (06-Sep-23) | 1)CARE A-; Negative (30-Nov-22) | 1)CARE A-; Negative (03-Dec-21) 2)CARE A-; Negative (23-Jun-21) |
| 2 | Debt-Subordinate Debt | LT | - | - | - | - | 1)Withdrawn (30-Nov-22) | 1)CARE A-; Negative (03-Dec-21) 2)CARE A-; Negative (23-Jun-21) |

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|---|-----------------|------------------------------|-----------------|--|---|---|--|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 3 | Fund-based - LT-Cash Credit | LT | 45.00 | CARE A-; Stable | 1)CARE A-(RWD) (04-Feb-25) 2)CARE A-(RWD) (30-Dec-24) 3)CARE A (RWN) (23-Oct-24) | 1)CARE A; Stable (02-Feb-24) 2)CARE A-; Positive (06-Sep-23) | 1)CARE A-; Negative (30-Nov-22) | 1)CARE A-; Negative (03-Dec-21) 2)CARE A-; Negative (23-Jun-21) |
| 4 | Debt-Non-convertible Debenture/Subordinate Debt | LT | 65.00 | CARE A-; Stable | 1)CARE A-(RWD) (04-Feb-25) 2)CARE A-(RWD) (30-Dec-24) 3)CARE A (RWN) (23-Oct-24) | 1)CARE A; Stable (02-Feb-24) 2)CARE A-; Positive (06-Sep-23) | 1)CARE A-; Negative (30-Nov-22) | 1)CARE A-; Negative (03-Dec-21) 2)CARE A-; Negative (23-Jun-21) |
| 5 | Fund-based - LT-Bank Overdraft | LT | - | - | - | - | 1)Withdrawn (30-Nov-22) | 1)CARE A-; Negative (03-Dec-21) 2)CARE A-; Negative (23-Jun-21) |
| 6 | Debt-Non-convertible Debenture/Subordinate Debt | LT | 25.00 | CARE A-; Stable | 1)CARE A-(RWD) (04-Feb-25) 2)CARE A-(RWD) (30-Dec-24) | 1)CARE A; Stable (02-Feb-24) 2)CARE A-; Positive (06-Sep-23) | 1)CARE A-; Negative (30-Nov-22) | 1)CARE A-; Negative (03-Dec-21) 2)CARE A-; Negative (23-Jun-21) |

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|---|-----------------|------------------------------|-----------------|---|---|---|--|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| | | | | | 3)CARE A (RWN) (23-Oct-24) | | | |
| 7 | Debentures-Non Convertible Debentures | LT | - | - | - | 1)Withdrawn (06-Sep-23) | 1)CARE A-; Negative (30-Nov-22) | 1)CARE A-; Negative (03-Dec-21) 2)CARE A-; Negative (23-Jun-21) |
| 8 | Debentures-Non Convertible Debentures | LT | - | - | - | - | 1)Withdrawn (30-Nov-22) | 1)CARE A-; Negative (03-Dec-21) 2)CARE A-; Negative (23-Jun-21) |
| 9 | Debentures-Non Convertible Debentures | LT | - | - | - | 1)Withdrawn (06-Sep-23) | 1)CARE A-; Negative (30-Nov-22) | 1)CARE A-; Negative (03-Dec-21) 2)CARE A-; Negative (23-Jun-21) |
| 10 | Debt-Non-convertible Debenture/Subordinate Debt | LT | 35.00 | CARE A-; Stable | 1)CARE A- (RWD) (04-Feb-25) | - | - | - |

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|---|------------------|
| 1 | Debt-Non-convertible Debenture/Subordinate Debt | Complex |
| 2 | Fund-based - LT-Cash Credit | Simple |
| 3 | Fund-based - LT-Term Loan | Simple |

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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| <p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Saikat Roy Senior Director CARE Ratings Limited Phone: 912267543404 E-mail: saikat.roy@careedge.in</p> | <p>Analytical Contacts</p> <p>Priyesh Ruparelia Director CARE Ratings Limited Phone: 91-22-6754 1593 E-mail: priyesh.ruparelia@careedge.in</p> <p>Jatin Arora Assistant Director CARE Ratings Limited Phone: 91-120-445 2000 E-mail: Jatin.arora@careedge.in</p> <p>Yogesh Rochani Lead Analyst CARE Ratings Limited E-mail: Yogesh.Rochani@careedge.in</p> |
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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

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